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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 002137

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EAID, ELTN
SUBJECT: INDIA WELCOMES BHUTANESE PM ON FIRST TRIP ABROAD

Classified By: Political Counselor Ted Osius for Reasons 1.4 (B and D)

¶1. (U) Summary. Bhutan's first democratically elected Prime Minister (PM) Jigmi Y. Thinley visited India July 14 - 17. The four-day visit to Delhi marked Thinley's first trip abroad after assuming power in April. Thinley met with Indian PM Manmohan Singh and other officials to continue the dialogue initiated during Singh's May visit to Bhutan. Collaboration on hydropower projects topped the agenda, followed by development aid, increased infrastructure, health, and tourism. According to the Bhutanese embassy in New Delhi, the Bhutanese PM characterized the trip as a "routine goodwill visit," but the pomp and press displayed by both sides announced that India remains Bhutan's closest ally. End Summary.

Age-Old Allies

¶2. (U) On July 29, Poloff met with Bhutanese Embassy First Secretary Tenzin Rondel Wangchuk to discuss the recent visit of the Bhutanese Prime Minister (PM) to Delhi. True to the pledge he made upon entering office, Prime Minister Jigmi Y. Thinley made his first state-level visit outside of Bhutan to India July 14 - 17. The Indians received the PM and his 52 member delegation with the pomp befitting a head of state as Thinley met with PM Manmohan Singh, President Pratibha Patil, Vice President Hamid Ansari, External Affairs Minister Pranab Mukherjee, Home Minister Shivraj Patil, Congress Party President Sonia Gandhi, Leader of the Opposition L.K. Advani, Power Minister Sushil Kumar Shinde, Tourism Minister Ambika Soni, and Deputy Chairman of the Planning Commission Montek Singh Ahluwalia. According to Wangchuk, the PM had "no specified agenda" and the visit was a "routine" gesture to express Bhutan's gratitude to its oldest and most trusted ally. The discussions followed the agenda set when PM Singh -- the first leader to visit the new democracy -- visited Thimpu in May. Both sides promoted the visit as a further step in boosting economic cooperation and contributing to overall Indo-Bhutan relations.

13. (U) Wangchuk noted that the Royal Government of Bhutan's (RGOB) 10th five-year plan -- which began on July 1 -- drove the discussion, as India is Bhutan's largest development partner. The five-year plan broadly outlines Bhutan's social and economic development strategy, from energy to infrastructure to scholarships. He contended that formal details of the GOI's assistance to Bhutan were still fluid, but disclosed that the GOI had historically doubled or even tripled the amount of aid given to Bhutan with each successive five-year plan. Consistent with media reports, Wangchuk predicted that GOI would double the amount of aid given to Bhutan, bringing the total to approximately USD 826 million.

Megawatts for Manmohan

14. (U) As expected, Wangchuk reported that hydroelectric power was the main issue on the table. The GOI and the RGOB had earlier agreed on a target amount for exportable energy to India at a capacity level of 5,000 MW by 2020. During PM Thinley's visit, the countries doubled the target to 10,000 MW -- admittedly a "quite ambitious" goal given the current capacity is only 1,488 megawatts. Wangchuk disclosed that in order for Bhutan to take advantage of India's enormous energy needs, it must act quickly as the glacial source of its hydropower is quickly melting. The GOI committed to boost infrastructure for the project through a mix of grants and credits to the RGOB. He signaled that the percentage of

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credits has increased over the past several years and he expects that trend to continue. Wangchuk admitted that Bhutan lacks the technical capacity to construct the hydroelectric plant; consequently, Indian contractors with the appropriate expertise, hired by the RGOB, will handle the construction projects. He added that the agreement includes transfer of knowledge offsets, requiring the GOI to establish specialized industrial training institutes in Bhutan so that eventually the Bhutanese will take over project maintenance. The institutes bring the added bonus of boosting Bhutan's skilled labor force in the midst of rising unemployment rates.

GOI's Golden Jubilee

15. (SBU) India's development assistance to infrastructure figured prominently in discussions between PM Thinley and Deputy Chairman of the Planning Commission Montek Singh Ahluwalia. In 2005, India and Bhutan signed a memorandum of understanding to establish a railway between Hashimara, India and Phuentsoling, Bhutan. According to Wangchuk, the resulting feasibility study revealed significant problems; however, he said the governments decided to proceed anyway with the construction of a freight line, dubbed the Golden Jubilee Rail Line. The line's construction commemorates the 50th anniversary of Prime Minister Nehru's month-long visit to the Himalayan nation. He underscored the railway's commercial importance for the land-locked country, noting that the transportation of cash crops, such as oranges and apples, would become much less expensive for Bhutan. The 20 kilometers of rail will link Bhutan to the entire Indian railway network. Wangchuk emphasized that it would not be a passenger line and that he could not hazard a guess on the timeline for construction. When asked about border security issues, he remarked that the Indo-Bhutan border remains open and fairly sleepy, "except when someone decides to throw a bomb over the border."

Medical Schools for Indian Students

16. (C) Wangchuk intimated that the GOI's proposal for

further cooperation in the medical field came as a surprise to the Bhutanese embassy. The GOI offered to finance the construction of a more specialized medical college modeled after the All India Institute of Medical Sciences (AIIMS) in Thimpu. India also raised the possibility of building a nursing school in addition to the two Indian-financed hospitals already under construction. Wangchuk asserted that it would be impossible for Bhutan to absorb all the graduates given that the demand for western-trained practitioners is not high in a country with a well-organized network of traditional medicine facilities. Given the incredible competition for entrance to Indian medical schools, he confided that the Bhutanese suspect the construction offer is really intended to provide an alternative for Indian students; regardless, Bhutan will accept the gift.

¶7. (C) Comment. The meetings between the world's youngest and largest democracies proceeded as expected and further solidified -- with impressive media coverage -- India's position as Bhutan's best friend. Bhutan has always had excellent relations with India, regardless of the ruling coalition due to the RGOB's very strong relationship with India's bureaucracy. In the upcoming months, as Bhutan's new government begins to further define itself and face the courtship of many countries requesting formal diplomatic relations, the reaction of India's bureaucracy will bear

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watching as will the Bhutanese response. End Comment.
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